

Message Text

CONFIDENTIAL

PAGE 01 ANKARA 02951 171540Z
ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 SSO-00 INRE-00 ICAE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 EA-10 FRB-03
INR-10 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00
LAB-04 SIL-01 OMB-01 SS-15 PA-01 /100 W
-----046514 171554Z /53

O R 171500Z APR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1535
INFO AMEMBASSY BRUSSELS
AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS

C O N F I D E N T I A L ANKARA 2951

USEEC, USOECD

E.O. 11652: GBS
TAGS: EFIN, TU
SUBJECT: PRELIMINARY REPORT ON GOT TALKS WITH COMMERCIAL BANKS

REF: A) ANKARA 2459, B) ISTANBUL 910

1. REPRESENTATIVES OF SIX INTERNATIONAL BANKS (MORGAN
GUARANTY, CITIBANK, CHASE MANHATTAN, DEUTSCHE BANK, UNION
BANK OF SWITZERLAND AND BARCLAY'S BANK) HELD TALKS APRIL
14-15 WITH TURKISH CENTRAL BANK, MINISTRY OF FINANCE
AND STATE PLANNING ORGANIZATION OFFICIALS CONCERNING
ROLLOVERS OF CONVERTIBLE LIRA DEPOSITS (CTL'S), REFINANCING
OF ARREARS TO BANKS AND THE PROVISION OF NEW EURO CURRENCY
CREDIT TO TURKEY. TURKISH OFFICIALS PROVIDED THE BANKS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ANKARA 02951 171540Z

WITH THE TERMS OF THE IMF LETTER OF INTENT, AND, FOR
THE FIRST TIME, WITH DETAILED CENTRAL BANK CASH FLOW
PROJECTIONS AND FIVE-YEAR BALANCE OF PAYMENTS AND DEBT
SERVICE PROJECTIONS.

2. CENTRAL BANK GOVERNOR SADIKLAR, WHO CHAIRED THE
MEETING, EMPHASIZED THAT TURKEY IMMEDIATELY NEEDED \$600

MILLION IN NEW MONEY TO FINANCE URGENT IMPORTS, MAINLY OF FERTILIZER, BUT ALSO OF TRACTORS AND OTHER AGRICULTURAL INPUTS. HE ARGUED THAT TURKEY COULD NOT WAIT UNTIL LATER IN THE YEAR TO GO TO THE EURO-CURRENCY MARKET BUT NEEDED THE NEW MONEY NOW. THE BANKS DID NOT COMMIT THEMSELVES TO RAISING A SPECIFIC AMOUNT OF NEW MONEY FOR TURKEY; BUT MORGAN REPRESENTATIVE RODNEY WAGNER, IN A BRIEF TALK SATURDAY WITH ECON/COM COUNSELOR, SAID THAT BANKS AGREED TO LOOK AT THE POSSIBILITY OF PROVIDING SOME NEW FINANCING PROMPTLY FOR ESSENTIAL IMPORTS. ON FRIDAY, DICK GEORGE OF CITIBANK COMMENTED THAT NEW FINANCING WOULD BE HARD TO SELL TO HIS HEAD OFFICE. WAGNER THOUGHT IT WOULD BE POSSIBLE TO PUT TOGETHER A GROUP OF 35-40 BANKS THAT WOULD BE WILLING TO PROVIDE NEW MONEY SOON. HE HAD NO WAY OF KNOWING HOW MUCH MIGHT BE RAISED.

3. WHILE GETTING NEW MONEY WAS TURKEY'S TOP PRIORITY, THE BANKS' PRIORITIES WERE TO REGULARIZE BANK CREDIT ARREARS AND CTL'S. THE TURKS ASKED FOR EIGHT-YEAR REPAYMENT TERMS WITH A THREE-YEAR GRACE PERIOD. THE BANKS OFFERED SEVEN-YEAR REPAYMENT TERMS WITH A TWO-YEAR GRACE PERIOD. (ACCORDING TO UNCONFIRMED NEWSPAPER REPORTS, A COMPROMISE WAS REACHED PROVIDING SEVEN-YEARS REPAYMENT WITH THREE-YEARS GRACE FOR BOTH CTL'S AND ARREARS ON BANKERS' CREDITS.

4. ACCORDING TO GEORGE OF CITIBANK AND WAGNER OF MORGAN, REFINANCING OF APPROXIMATELY \$475 MILLION IN BANKERS' CREDITS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ANKARA 02951 171540Z

COULD BE EASILY ARRANGED SINCE EACH INDIVIDUAL BANK WOULD ROLLOVER WHAT IT WAS OWED. GEORGE SAID THAT ABOUT 14 BANKS HELD ALL OF THIS DEBT.

5. DEALING WITH CONVERTIBLE LIRA DEPOSITS IS MORE COMPLICATED. ABOUT 230 BANKS HOLD CTL'S, 60 PERCENT OF WHICH ARE DENOMINATED IN SWISS FRANCS, 28 PERCENT IN DEUTSCHE MARKS, AND ONLY 10 PERCENT IN US DOLLARS. ABOUT \$400 MILLION IN CTL PRINCIPAL IS PAST DUE AND \$25 MILLION IN INTEREST. IF TURKISH BANKS CAN CONVINCE THEIR DEPOSITORS TO ROLL OVER THESE PAST DUE CTL'S, THE EXCHANGE GUARANTEE CEILING (PREVIOUSLY \$2.0 BILLION) WILL BE INCREASED TO COVER THE AMOUNT OF CTL'S WHICH ARE ROLLED OVER. THUS THE CENTRAL BANK'S EXCHANGE GUARANTEE LIABILITY ON CTL'S IS POTENTIALLY INCREASED TO \$2.4 BILLION. THE SIX BANKS HAVE AGREED, FOR AN AGENT'S FEE, TO COORDINATE AN EFFORT TO GET EACH OF THE 230 BANKS WHICH HOLD CTL'S TO VOLUNTARILY ROLL OVER THESE DEPOSITS.

6. THE CENTRAL BANK'S GOAL WAS TO CONVERT THE CTL'S INTO A TERM LOAN WHICH WOULD BE RETIRED IN EQUAL INSTALLMENTS AFTER THE GRACE PERIOD.

7. THE SIX BANKS DID NOT DEAL WITH THE PROBLEMS OF REFINANCING \$1.7 BILLION IN OVERDUE SUPPLIERS' CREDITS. WAGNER OF MORGAN SAID THAT THE BANKS HAD LITTLE EXPERIENCE IN THIS AREA AND THEY DID NOT PRESUME TO GIVE THE TURKISH GOVERNMENT ADVICE ON HOW TO HANDLE THE PROBLEM. HOWEVER, GEORGE OF CITIBANK SAID THAT PROSPECTS FOR HIS "CONSTRUCTIVE REMITTANCE" SCHEME LOOKED GOOD. (SEE REF B). THE SCHEME, UNDER WHICH MULTINATIONAL CORPORATIONS WOULD GUARANTEE A LOAN TO THE CENTRAL BWNK EARMARKED TO PAY OFF ARREARS OWED TO IT, HAS NOT YET BEEN COMPLETELY ACCEPTED BY THE CENTRAL BANK. CITIBANK WANTS TO GET CENTRAL BANK'S WRITTEN APPROVAL BY ABOUT APRIL 24 IN ORDER TO FIRM UP COMMITMENTS FROM POTENTIAL GUARANTOR CORPORATIONS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ANKARA 02951 171540Z

8. COMMENT. EMBOFFS WILL BE TALKING WITH TURKISH OFFICIALS LATER TODAY (APRIL 17) TO GET TURKISH VIEWS ON THE TALKS WITH THE BANKS. ON FRIDAY, CITIBANK REPORTED THAT THERE WAS TO BE A JOINT STATEMENT ISSUED AT THE END OF THE TALKS. IT MAY BE SIGNIFICANT THAT NO STATEMENT WAS ISSUED. THE FACT SUGGESTS THAT BANK REPRESENTATIVES AND TURKISH AUTHORITIES STILL HAVE DECISIONS TO MAKE.

9. RODNEY WAGNER OF MORGAN GUARANTY SAID HE PLANNED TO CALL ON ASSISTANT SECRETARY JULIUS KATZ THIS WEEK TO BRIEF HIM ON THE MEETING.

DILLON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMERCIAL BANKS, BANKS, FINANCIAL AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA02951
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780164-0292
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780451/aaaabrdq.tel
Line Count: 149
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6e0528ad-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ANKARA 2459, 78 ISTANBUL 910
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2952549
Secure: OPEN
Status: NATIVE
Subject: PRELIMINARY REPORT ON GOT TALKS WITH COMMERCIAL BANKS
TAGS: EFIN, TU
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6e0528ad-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014